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IN THIS ISSUE

FRONT COVER

German Peasant Harvests Sugar Beets

Sugar beets, thriving in the long frost-free growing season of Western Germany, are becoming a more important crop in that country's diversified agriculture. (Photo courtesy of Harry E. Reed.)

BACK COVER

Germany Before World War II; Germany, 1954

Much of the eastern German territory — now under Polish administration — was a surplus agricultural producer before the war. Central Germany — now represented by the Soviet Zone of occupation — used to be self-sufficient in food. The present area of the Federal Republic of Germany (West Germany) has traditionally been the main importing area.

Credit for photos is given as follows: p. 107, German Tourist Information Office; p. 114, Mr. Hasmosoewignjo.

NEWS NOTES

Reconstituted-Milk Plants for Asia

The feasibility of establishing milk-reconstitution plants in Asia to increase demand for United States nonfat milk solids and other dairy products is being studied by the United States Department of Agriculture. The plants could be built by local governments or persons, or by United States private enterprise.

To conduct the study the Department recently sent to the Far East a consultant in marketing—Irving C. Reynolds of Toledo, Ohio.

A reconstitution plant utilizes modern methods for processing butter oil—the pure fat of milk—with powdered nonfat dry milk solids and water to make whole fluid milk of high quality. By adding a few items of equipment and using slightly different processing, the same plant could manufacture ice cream.

A reconstitution center of this type could produce from 40,000 to 80,000 quarts of milk daily, and would cost from $200,000 to $500,000, exclusive of land value.

Each plant established could provide a market for from 800,000 to 1,000,000 pounds of United States dairy fats a year. This would be a long-range market, since plants could not operate merely in terms of United States dairy product surplus.

Mr. Reynolds is experienced in milk-reconstitution operations. He was in charge of procurement and distribution of all perishable foods, including dairy products, for the armed forces during 3 years of World War II; and, more recently, he played a major role in the establishment of reconstituting plants in Japan, which are now furnishing milk to the United States armed forces in the Far East.

ALICE FRAY NELSON, EDITOR

FOREIGN AGRICULTURE

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West Germany as a Market For U.S. Agricultural Products*

General Economic Setting

West Germany is an industrial country, in many significant respects resembling the United Kingdom in economic structure and position. Both countries have a population of about 50 million; neither of them is too abundantly endowed with agricultural resources and basic industrial raw materials except coal; and both, therefore, depend for their livelihood upon trade with the rest of the world. They import raw materials, foodstuffs, and feedstuffs, and export industrial goods in which the main component is their skilled labor as applied to imported primary material and domestic power. Both nations also have an active balance for services rendered, largely transport: the United Kingdom for maritime traffic, West Germany for land transport.

The Federal Republic of Germany, as West Germany is officially called, following its rapid recovery after the Second World War, has again emerged as one of the strongest economies in Europe. National income per capita stands somewhere between that in northwestern Europe and that of southern and eastern Europe—close to the former and far above the latter. In 1952 West Germany's national income per capita was estimated at 50 percent of per capita income in the United States—compared with 60 percent for the United Kingdom and only 30 percent for Italy.[1]

With the steady expansion of industrial and agricultural production as well as exports and imports since the successful currency reform of 1948, Germany's external balance has been greatly improving since 1951. This improvement has been mainly due to a steady rise in exports and to better terms of trade. With the dollar area, however, a continuing deficit on current account remains a problem to the extent that the situation does not as yet permit complete liberalization. Progress, however, has been made toward the desirable freeing from quantitative restrictions of dollar imports. On February 17, 1954, the German Government decreed the abolition of quantitative restrictions for 2,000 commodity items out of a total of 6,000 imported from the dollar area. Among those freed are raw cotton and linters, leaf tobacco, and inedible tallow and hog grease for technical purposes.

West Germany continues to experience a boom in domestic investment, consumption, and exports. The internal price level has remained stable since the beginning of 1952 and, aided by a stable political situation and the absence of significant labor disputes, economic expansion continues to proceed at a rapid pace. Gold and dollar reserves have risen from 12 percent of the value of total imports at the end of 1951, to 18 percent at the end of 1952, and to 30 percent at the end of 1953. These developments account for the steps taken to liberalize imports from the dollar area and also put Germany into the forefront of the countries favoring early convertibility.

Type of Agriculture And Agricultural Production

Germany's agriculture is of the diversified type. Northwestern and parts of the western area of the Federal Republic of Germany mostly have the gray-brown forest soils, rather deficient in plant food, that also prevail in eastern Germany. In the West, however, they are darker in color and slightly more productive because of ample precipitation. The southern areas of the Federal Republic have somewhat better brown forest-type soils, but those areas are rolling and hilly.

Most of the Federal Republic's agricultural sections, although located farther to the north than those of eastern Canada, have a much longer frost-free period. This is the reason why much more intensive cultivation is possible in most parts. It permits the thorough soil preparation needed in intensive agriculture and the growing of roots and tubers, indispensable in intensive rotations, even though they have a long growing period and require much time for harvesting. There is practically no fallow.

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* This statement has been prepared by the European Analysis Branch, FAS, on the basis of original source material and special reports by the Office of the U.S. Agricultural Attache in Germany.

1 These estimates are those recently published in a special OEEC (Organization for European Economic Cooperation) study entitled *An International Comparison of National Products and the Purchasing Power of Currencies* (by Milton Gilbert and Irving Kravis) in which an attempt was made to arrive at realistic international comparisons by weighting the data for as many products as possible as components of the national income, with the weights first of one and then the other of any two countries to be compared.

Farms are predominantly family sized, medium to small in acreage, and often badly fragmented. Mechanization on the larger units is well advanced and fertilizer input is high. Of total cash receipts of West Germany's agriculture, slaughter animals account for one-third, milk for one-fourth, and bread grains for one-tenth. Chief grains are rye, wheat, oats, and barley, in this order. Potatoes are important for both food and feed and production of sugar beets has been greatly expanded compared with the prewar period.

Agricultural Policy and Trade Restrictions

With the return of most of the sovereign powers to a German Government in 1950 and with the accomplishment of currency reform and general economic stabilization, it proved possible for the first time since the end of the war to take a few decisive steps toward a coordinated and well-defined agricultural policy in Western Germany. In part, this policy is only an adaptation of what had existed in the interwar period, though the extreme rigidity of agricultural control exercised by the National-Socialists had been abolished at the end of the war and was not revived by the new system.

With respect to market and price policies the government relies, first, on physical import controls; secondly, on the instrument of sliding—positive or negative—equalization fees which are imposed in place or on top of tariffs so far as necessary to keep the prices of imported products in line with the desired domestic price levels. Thirdly, there is the traditional means of tariff protection negotiated in numerous trade agreements under the General Agreement on Tariffs and Trade (GATT).

Among the physical trade controls are quantitative import restrictions which are applied primarily for exchange control purposes but also serve at times protective purposes. Physical import regulation, not primarily exercised for exchange control purposes, applies to grains, livestock and meat, fats and oils, and sugar, and is exercised through a system of import organizations which administer a monopoly-like import license procedure. These organizations also administer a flexible policy of stockpiling. The system operates to admit just as many agricultural products and just as much of each as is necessary to satisfy domestic requirements, taking into account the desirability of first disposing of all domestic products that choose to come to market at the price levels considered desirable by the government.

Although West Germany has, to a large extent, restored a market economy, and although all direct regimentation of production and consumption has been abolished, agriculture thus continues to be protected in significant degree and with a system of great technical efficiency. The methods adopted for agricultural protection, aside from the import controls just described, include fixed producer prices for grains and sugar beets and market regulation for sugar and milk (milk sheds).

TABLE 1.—*Value of United States exports to and imports from West Germany, 1952*

[In million dollars]

Exports		Imports	
Grain:			
Sorghum	12.9	Bones, bristles, feathers	3.8
Wheat	83.1	Hops	2.8
Corn	11.6	Meat products	2.5
Rye	5.6	Beer and wine	1.9
Other grains and preparations	.0	Molasses	1.9
Total grain	113.2	Drugs, herbs, etc.	1.7
Cotton	79.1	Other agricultural	3.3
Tobacco	44.7	Total agricultural	17.9
Fats and oils:			
Lard	12.4	Other	193.9
Tallow	2.9		
Soybeans	3.7	Grand total	211.8
Soybean oil	6.4		
Other	0.5		
Total fats and oils	25.0		
Meat products	4.3		
Fruit	3.9		
Other agricultural	7.1		
Total agricultural	279.3		
Other	155.6		
Grand total	434.9		

Foreign Agricultural Service; official U. S. foreign trade statistics. Apri 1954.

Free markets prevail for eggs, butter, and cheese. There are maximum prices for bread and fixed consumer prices for sugar and milk.

West German tariff levels as such are moderate, the old high-level German tariff having been brought down partly as a result of negotiations within GATT.

Consumption of Agricultural Products And Import Requirements

Food consumption in West Germany per capita, at 2,900 calories per day, is little short of the prewar volume. In some respects it is, however, still inferior in composition; in other respects, superior. Consumption of meat and milk is still below prewar; of fruits, especially citrus fruits, above prewar. Germany produces about two-thirds of its total food requirements, on a per capita basis, counting the food produced from imported feed as an import item. In this estimate is included the food requirement of the Western sectors of Berlin, which must be supplied by the Federal Republic.

The largest deficit in West Germany's food supply is in wheat and fats and oils. Even with total agricultural production now up to 120 percent of prewar (92 percent on a per capita basis) large imports of wheat, fats and oils, coarse grains, and fruits, as well as vegetables, fish, eggs, and cheese continue to be needed. At present levels of domestic production, Germany's requirements for wheat stand at about 75 million bushels per annum, of coarse grains at about 40 million bushels, and

TABLE 2.—*Value of West German exports to and imports from the United States, 1952 and 1953*

[In million dollars]

Imports	1952	1953	Exports	1952	1953
Meat and meat products	5.9	6.8	Ferro alloys		10.8
Lard and tallow (edible)	16.4	10.1	Aluminum (incl. alloys)	2.0	8.3
Honey	1.1	2.0	Coal tar products	4.8	4.5
Wheat	109.7	72.1	Nitrogen fertilizer	5.7	13.1
Corn	26.9	19.8	Woven and knitted fabrics	10.4	7.7
Other grain		2.5	Dyes and other chemical materials	7.1	11.1
Dry legumes for food	1.2	.8	Steel pipes	27.1	19.0
Citrus and tropical fruits	3.1	4.7	Books, maps, music, prints	1.9	2.5
Other fresh fruit	2.3	.8	China and glassware	11.8	12.8
Canned vegetables, fruits and fruit juices	.3	1.7	Cutlery	4.0	5.9
Oilseeds	4.7	14.9	Other iron goods	8.1	9.1
Vegetable fats and oils (edible)	6.6	2.4	Machine tools	17.8	13.8
Leaf tobacco	31.7	33.2	Other machinery	15.6	21.0
Cotton	102.2	47.0	Other industrial goods	112.2	128.3
Other agricultural products	15.3	5.2	Total industrial	228.2	267.9
Total agricultural	327.4	224.0	Agricultural	20.1	27.8
Industrial	268.5	169.6			
Total imports of U. S. origin (rounded)	596	394	Total exports for consumption in the U. S. (rounded)	249	296
Total imports from the U. S.	625	458	Total direct exports to U. S.	226	285
Imports from the U. S. of products not of U. S. origin	29	64	Exports to the U. S. through third countries	23	11

Foreign Agricultural Service, April 1954. Data taken or derived from *Der Aussenhandel Der Bundesrepublik Deutschland, Teil* 3, December 1952 and December 1953.

of fats at almost 1 million short tons (fat content). In 1952-53, Germany imported about 1.5 million short tons of fruit (in terms of fresh fruit), approximately 30 percent of its total requirement. Imports of eggs were over 100,000 short tons, 25 percent of total requirements.

With these imports, Germany ranks second, behind the United Kingdom, as an importer of foodstuffs and feedstuffs. However, Germany also is a large consumer and importer of tobacco, raw cotton, cotton linters, and wool. In 1953 it imported a total of 1.1 million bales of raw cotton, measurably more than in 1952 and 20 percent more than in 1951. Of raw tobacco West Germany imported about 60,000 short tons in 1953—two-thirds of total consumption—slightly more than in 1952 and much more than in 1951.

The United States Share in German Imports

Germany is one of the United States three largest customers for agricultural products, and the United States is an important buyer of German industrial products. In 1952 we shipped $435 million worth of commodities ($280 million agricultural) to Germany and imported only $212 million worth of commodities ($18 million agricultural) from Germany. For several important products, the United States is Germany's most important supplier.

According to the official German statistics, West Germany's imports of agricultural commodities of United States origin amounted to $327 million in 1952, but only $224 million in 1953. The decline by about $100 million is mainly due to cotton ($55 million) and wheat ($38 million).

Wheat. The grain trade on both sides of the Atlantic considers Western Germany a market that gives considerable attention to price competition. The emphasis in Germany on International Wheat Agreement imports is to bring in hard wheat for mixing with the soft wheats grown in Germany or obtained under special trade agreements with other supplying countries. German importers tend to look to Canada for their premium-quality and premium-priced wheat (Manitoba 1 and 2) and to the United States for "good average" qualities. There has been some criticism of the quality of certain United States wheat shipments in the past year or so and a special investigation has been initiated by both United States and German authorities to ascertain the facts.

In the years 1948 and 1949—years of large-scale United States aid—the United States supplied practically all of Germany's imports of wheat. With a large expansion in German takings from Canada and various other sources, such as France, in the following 3 years, the United States share declined significantly. But it still stood at around 50 percent in 1953.

Coarse Grains. In 1949 and 1950 the United States supplied around 90 percent of all German imports of corn and grain sorghums, and in 1953 still furnished over 60 percent. A variety of sources made up the rest. Large-scale shipments in 1952 were received from Yugoslavia, a traditional prewar supplier which, however, because of several years of severe drought has not been an important supplier of corn in other postwar years. Argentina has recently become a strong competitor, underselling the United States. In promptness of delivery, however, the United States has an advantage and this factor from time to time assumes considerable importance.

Corn and grain sorghums (milo corn) are popular among those larger German livestock farmers who buy feed grains.

Dry Legumes. Imports of United States beans and peas have had their ups and downs over the last 6 years, the shifts largely reflecting changes in American aid programs. In the earlier food shortage years, German imports were sizable. With the improvement in the general economic and food supply situation, older dietary patterns reasserted themselves and foreign trade in dry legumes dropped off. These legumes have never had more than minor importance in Germany and, consequently, the total market for imported dried beans and peas is small.

Oilseeds, Oils, and Fats. Germany has a more than ample oil mill capacity and large requirements for oilcake so that, in general, the country insists on imports of seeds rather than oil. This is an important factor in any consideration

of the outlook for German takings from the United States.

Of Germany's total imports of soybeans, the United States supplied a much smaller share during 1950-1953 than it did in 1948 and 1949, when United States aid to Germany was substantial; in those years, soybeans accounted for almost all of Germany's takings. The return of China as an exporter, and temporary difficulties as a result of complaints regarding qualities shipped from the United States in 1951 and 1952, accounted for this drop. The United States Department of Agriculture investigated these complaints (which, in part, were justified) and took action to correct the situation. Currently, quality considerations are said not to be a problem. In the past 2 years the United States has still supplied about one-half of total German imports of soybeans.

As to soybean oil, a similar decline was shown in the share of the United States. Again, in 1948 and 1949, the United States furnished almost all of Germany's takings. By 1952 and 1953 our share had dropped to about one-third, while the Netherlands and China had stepped up shipments—the former country having become the most important single supplier (partly on a transit basis).

Cottonseed and cottonseed oil are less known in Germany than many other oilseeds and oils. Attempts have been made to popularize cottonseed oil; however, margarine manufacturers do not readily modify their mixing formulas, and, if they do, the chief incentive is price.

Although Western Germany is one of the world's largest producers of hog fat, it has traditionally imported some from the United States. Lard storage has presented a problem in recent years since the admixture of stabilizing agents has been prohibited by law. This prohibition constitutes an obstacle to the importation of American lard. Although shipments from reputable packers have been generally of first quality, there have been quality complaints regarding shipments by some suppliers.[2] Prospects for United States lard in Germany—provided that prices are right and barring any further difficulties regarding quality—are in general good. Following a temporary dip in our percentage share in 1950 and 1951, German takings of United States lard again accounted for about 80 percent of the total in 1952 and 1953, not very much below the years of large-scale economic aid in 1948 and 1949. In inedible tallow as well, the United States supplies a share upwards of 80 percent of total German imports and Germany is one of our most important markets for tallow.

Fruit. The difficulties in the way of German takings of United States fruit are formidable. Domestically produced fresh fruits usually undergo an annual glut which contributes to protectionist agitation. Fruits of all kinds are also procurable with soft currencies and there are a number of producing areas in Europe itself and around the Mediterranean that, not illogically, aspire to playing to the industrial north of Europe the role that Florida and California play to the consuming centers in the United States.

The effect of these factors has been very difficult to overcome except under special circumstances or where United States fruit sales could be tied in with some other arrangements desired by the Germans. Examples of the latter are programing of fruits under dollar aid and barter transactions. Except for minor aid to Berlin, all economic aid to Germany has now come to an end.

Among American fruits, dried and citrus fruits have the relatively best prospects in the German market. Considerations of price, quality, and reputation, in general, favor United States dried fruits, and Western Germany has no fruit drying industry of its own. Most of the German imports of dried prunes in recent years came from the United States and Yugoslavia, fluctuations in the shares of these two main supplying countries being largely due to relative prices and availabilities. The United States supplied over two-thirds of a large total import by Germany in 1952, but less than 20 percent of a small import in 1953. Prior to 1951 German imports of dried prunes under United States economic aid were rather large, with the United States supplying practically all of those imports. Similarly, while large imports of dried raisins and currants in 1948 were 100 percent United States-supplied, our share in the much smaller imports of 1949 through 1953 has gradually dwindled to a very small percentage. Most of these imports now come from Turkey, Greece, and Iran, as they did before the war.

The increase in German imports and consumption of citrus fruit over the past few years has been extraordinary. Consumption rose from 12 pounds per capita before the war (3 pounds in 1948-49) to about 20 pounds in 1953. The increase was proportionate to increases in takings from Italy and Spain. A considerable expansion of German takings from the United States, to about 6 percent of the total, took place last year, as a consequence of the generally high buying power and good demand for citrus fruit in Germany, a greater availability of dollars, and competitive United States prices under the subsidy program. In general, however, American producers are at a disadvantage with respect to distance, transit losses, etc.,

[2] Exaggerated complaints and allegations that some suppliers had used anti-oxidants to disguise the admixture of inferior fats turned out to have been unfounded. The U.S. Department of Agriculture despatched an investigator to Germany to help ascertain the facts. Both United States and German experts now agree that the earlier charges were not justified. Quality complaints, however, remain and further examination to ascertain details is under way to facilitate the Department's action in protecting the interest of United States agriculture and United States agriculture's customers.

The German housewife generally finds her grocer's shelves well stocked. About a third of what she buys has been imported.

with those in Spain and the other Mediterranean countries. European growers can ship on consignment; American shippers have thus far been unable or unwilling to do this. This year, it is true, Spanish competition is slight as a result of the extraordinary frost damage that occurred last February; in the long run, however, the Mediterranean area will continue to be a formidable competitor, with natural and historical advantages on its side.

One of the products in this general category to which we should pay increasing attention are citrus concentrates and canned single-strength juice, in which the United States has a great cost and production advantage. It is true, of course, that there are big obstacles to a development of the frozen concentrates trade as a result of the shortage in Europe of refrigerating capacity in the smaller stores and at the household level.[3]

However, progress is being made in this field and it is not inconceivable that modern living with its need for a reduction of household chores will speed up these developments.

Cotton. Imports from the dollar area of cotton (as well as tobacco) were freed from quantitative restrictions by decree effective February 17, 1954. Marketing prospects will therefore more than ever depend on the factors of price, quality, and commercial convenience. The United States share in Germany's imports of raw cotton declined from over three-quarters in 1948 and 1949 to between 40 and 50 percent in 1951 and 1952. The further drop to about 20 percent in 1953 is generally ascribed to uncompetitive United States prices. However, United States cotton in Germany became again competitive toward the end of 1953 and, as a consequence, trade has picked up. Another factor in this improvement was the exhaustion in other areas of qualities needed by the industry.

Tobacco. Since 1948 Western Germany has been the second biggest foreign buyer of American tobacco. It now consumes between 2 and 3 percent of the entire United States tobacco crop and buys an average of 10 percent of all the tobacco exported by the United States. Since 1950, however, a steady decline in the United States share of total German tobacco imports has occurred. Total German imports have risen from 100 million pounds in 1950 to about 120 million pounds in 1953. During the same period the share of United States tobacco declined from 51 percent to 43 percent, while imports of oriental tobacco from Greece and Turkey rose from 21 to 28 percent. Even with that increase, oriental tobacco has not nearly recaptured its prewar importance in the German market and the United States still holds much of the large gain it made after the war, supplying about one-half of total German imports. A sharp increase has also been recorded in the importation into Germany of Virginia-type tobacco from South Rhodesia, Japan, India, and other countries.

Opinions are divided as to the reasons for these developments. No doubt they are in part due to changes in consumer taste, although West German importers and manufacturers hold that increasing prices for American tobacco are the chief determinant. The abolition of quantitative restrictions for German tobacco imports from the dollar area, as in the case of cotton, reemphasizes the importance of the price factor.

Public discussion of reports on investigations to ascertain whether or not smoking has increased the incidence of cancer of the lungs has not thus far caused concern among manufacturers.

Miscellaneous. Of the minor items of German

[3] The Germans aptly say, "Links are missing in the chain of refrigeration."

imports, honey, grass seed, and clover and alfalfa seed, as well as vegetable seed, are of interest to United States producers. In the case of honey, total German imports have risen considerably over the past 4 years and the United States has taken an increasing share until, in 1953, it supplied over 40 percent of total German imports. Other suppliers were the Netherlands (partly in transit), Australia, Cuba, and Chile.

United States exports to Germany of grass, clover, and alfalfa seed over the past few years have declined to insignificant proportions, as a result of increased takings from France and the decline in total of German imports. Most of the vegetable seed imported into Germany is supplied by the Netherlands and Denmark; the total of German imports in this case, too, has been on the decline during the past few years.

Important Export Products

In any discussion of American agriculture's prospects in foreign markets, the other countries' interest in exporting to the United States must be adequately considered. For it is commonplace that "trade is a two-way street" and that, unless the United States gives its products away, it must import from other countries on a large and substantial scale if it is to have a satisfactory volume of exports. So far as industrial Europe and especially Germany is concerned, export surpluses are not mainly agricultural, but industrial.[4]

Seventy percent of the German import and export trade is conducted with the countries belonging to the European Payments Union—that is to say, most West European countries including the United Kingdom and the rest of the sterling area. Trade with the dollar area amounts to 25 percent on the import side, but only to about 10 percent on the export side—an indication of the general need for Germany to expand its exports to the United States, Canada, and other countries of the dollar area. German trade with the Soviet block in the past several years has remained insignificant—at less than 2 percent of either imports or exports.

The export side of table 2, in the high share of the catch-all item "other industrial goods"—50 percent of total industrial exports—clearly demonstrates the importance in the German export effort of a very great number and variety of manufactures. This presents a special marketing problem.

Manufactured products account for 70 percent of total German exports to all destinations. Most important among them are machinery and vehicles, including machine tools, small automobiles, tractors, bicycles, and the like. Next in importance are metals and metal goods, dyes and chemical products, including commercial fertilizer, as well as fine mechanical and optical goods in which Germany has excelled, as to quality and workmanship, over a long period of time. Yarns and woven textiles are also among the most important items of Germany's industrial exports. Among Germany's exports to the United States, machine tools, all sorts of other machinery, iron and copper alloys, steel pipes, coal tar products, nitrogen fertilizer, as well as glassware, chinaware, and cutlery were of especial importance in 1953.

These, in general, are the broad categories on which efforts to increase Germany's dollar earnings must concentrate. There are, however, a number of others which might become more important dollar earners than they are now. Among these are engineering projects and such products as glass and chinaware, toys and musical instruments, costume jewelry, and all sorts of minor articles of artcraft, art reproductions, and the like. Germany also caters to tourists from the dollar area and has some of the most scenic and most historical regions and sights of the Old World. With the expansion of air and sea transport and with the rationalization of the tourist trade there is a vast area of potential dollar earnings that could be developed by joint efforts on the part of both countries.

Outlook

In the long pull the prime and essential condition for expanding the West German market for American farm products is to get more dollars in the hands of the Germans. Even if all other factors of price, quality, commercial convenience, etc., are taken care of, imports will still be limited by the Federal Republic's ability to pay its bills in American currency. American markets in Germany depend on Germany's and other countries' markets in the United States, and this dependence increases with the termination of United States aid, offshore procurement, and the like. It is for this reason that the above statement enumerated a few of the important products and services that West Germany can supply to the United States market.

From this general condition stems a number of obstacles that must be faced squarely by American agriculture for a realistic appraisal of prospects. There are, for example, Germany's credit balances with soft currency countries. Germany's surplus with some other countries, both in the European area and overseas, tends to direct Germany's purchases toward those countries. Bilateral trade agreements aim at this equalization of debits and credits in trade between Germany and other countries and to prevent the accumulation of large credits

[4] Germany exports some meat specialities to the United States—for a very special and limited circle of consumers, without significance to American agriculture. Hops is another product that German agriculture exports to the United States. In a total of 300-odd-million dollars of German exports to the United States in 1953, meat specialties and hops accounted for only 16 million dollars, hard liquor and beer for another 4 million.

in favor of Germany that do no good except to the extent that Germany can obtain supplies from those areas.

Another important factor that we must reckon with is agricultural protectionism. As in other countries, farm organizations in Germany exert a strong influence toward protection of the domestic market that farmers regard as justly theirs. There is also a consideration of security in times of international emergency. This argument strikes a sympathetic chord in the nation's policymakers and in the population at large that has so recently experienced the agonies of widespread food shortage.

On the other hand, there are also general factors that will continue to *favor* imports into Germany from the United States. A reputation for quality is still one of the fundamental characteristics of American products. Everything possible must be done by the United States not to forfeit this asset. Quality deficiencies such as have occurred since the war must not be tolerated.

Another United States asset is our reputation for business dependability under which a contract is a contract for all essential aspects of the deal; both seller and buyer depend on its fulfillment. Consumer preference and producer preference are also of great importance and must be cultivated by quality performance. The ascendancy of the American-type cigarette over the oriental-type cigarette is a case in point; so is the spinners' preference for American cotton over a wide range of competing types and grades from other countries, and the millers' preference for hard wheat for mixing with domestic and imported soft wheats.

On the development of all these and other factors will the further progress of American agricultural exports to Germany depend. Considerations that apply to individual commodities have been indicated in a few places. It is essential, however, not to forget that there are some general influences that are apt to change only slowly and that are subject to modification through contacts between governments rather than individual traders. That does not mean that the task of the producer and trader can be minimized. On the contrary, only if we have a competitive product of desired quality, only if we have dependable export shipments, can the government hope to accomplish those modifications in policies that must facilitate the individuals' efforts. It is a cooperative job between private business and the Government.

As for the rest, there is a hard core of objective facts that cannot be changed at all except by wise economic policy in many lands. The maintenance of favorable economic conditions through laissez-faire or through government intervention, as the case may be, is of the most outstanding importance in this area; it requires international cooperation between governments that must supplement cooperation between business and government in any one country.

Ecuador—New Big Supplier of Bananas

By HAROLD E. CHRISTIE

The list of 10 biggest suppliers of bananas to the United States is like the list of 10 best-dressed women: it changes from time to time. Fifty years ago Ecuador could not have found a place on such a list; 20 years ago it might have gained admittance, but only at the bottom; today it ranks at the very top, holding the place that at other times has been held by Jamaica, Mexico, and Honduras.

Ecuador's rise from tenth place has been accomplished in only a few years. It began gradually in the late 1940's but speeded up at the turn of the decade, to outstrip Honduras in 1952. At that time Ecuador became not only the biggest supplier of bananas to the United States but the world's leading exporter of the fruit; and, if preliminary figures for 1953 are indicative, both of these distinctions have now gone to Ecuador for a second consecutive year.

Up through 1946 Ecuador's exports of bananas seemed to have set a fairly even pace—about 15,000 to 30,000 metric tons a year. Of course 30,000 tons may sound like a good many bananas; but, considering that the average bunch weighs at least 50 pounds, 30,000 tons means only 1-1/3 million bunches—no more than 2½ percent of all the bananas imported into the United States in 1946, and not enough to make the fruit one of Ecuador's leading export crops.

In 1947, when Ecuador's banana exports took their sudden upturn, they doubled those of the preceding year, approaching 70,000 tons, and for the first time in history surpassed a million dollars in value. Three years later they were worth nearly 8 million dollars: at last for Ecuador bananas had come to rank as an export crop. By 1953 they were ranking first. Passing the 23-million-dollar mark, they had left Ecuador's other big

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export crops—coffee, cacao, and rice—well behind.

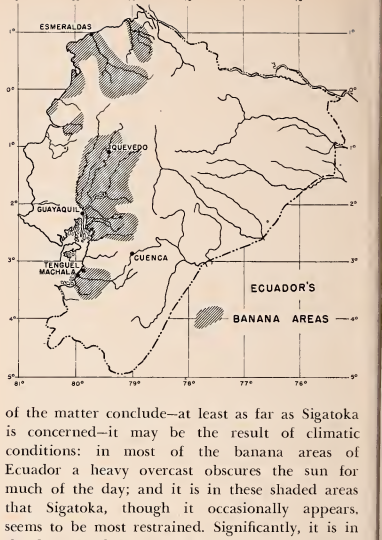
Many circumstances combine to explain why the banana industry in Ecuador has grown so quickly in recent years. Some of the factors lie outside Ecuador; some, within.

Of the external circumstances, one of the most significant is the fact that production of bananas has been falling off in many of the older banana countries. In some cases, disease has contributed to the decline; in others, political disturbances. In Costa Rica, for instance, one of the first substantial suppliers in this hemisphere, the spread of Sigatoka and Panama disease, two of the most dreaded plagues of banana plantations, has been advanced as the chief cause of the decline of shipments from the Caribbean lowlands. And in Guatemala, political problems are partly responsible for the fact that in the space of only a few years that country has fallen from second to sixth place as a supplier of bananas to the United States.

Another external factor is the high prices that have been prevailing on the world banana markets. True, these high prices owe much to the rising costs of maintaining healthy and productive banana plantations; but they have nonetheless served to encourage the Ecuadoran farmer.

Of the internal factors, a principal one is that Ecuador has large areas of land well-suited to bananas. Moreover, this land until recently was either standing idle or was being used for crops that could not yield as much profit as bananas. And when growers found that bananas are a crop that produces income quickly, many of them naturally turned to that crop with eagerness. In fact, this rapid growth of bananas has been one of the bases on which the country's Dirección de Agricultura has tied the crop into a program for developing other crops. For example, it has recommended that bananas be interplanted with cacao so as to shade the young cacao trees and at the same time produce an income for the years that must elapse before the cacao can yield returns.

Another internal factor, and a highly gratifying one, is that the two main diseases that have afflicted banana plants in other countries apparently do not thrive so well in Ecuador. They do exist there, it is true, but they do not assume the epidemic proportions that they have taken on elsewhere. This fortunate circumstance may be the result of Ecuador's being sufficiently isolated from other producing areas. Or, as some students



of the matter conclude—at least as far as Sigatoka is concerned—it may be the result of climatic conditions: in most of the banana areas of Ecuador a heavy overcast obscures the sun for much of the day; and it is in these shaded areas that Sigatoka, though it occasionally appears, seems to be most restrained. Significantly, it is in the less clouded areas of the country that the major increases in the disease have been noted.

All the major banana areas in Ecuador lie in the western part of the country, along the coastal plains. Most of the plantings have been made along the rivers and their tributary streams, on narrow strips of land about half a mile wide along each bank. Thus the banana farmers take advantage of two indispensable services offered by a river—drainage for the banana plants and transportation to the ports of Guayaquil, Esmeraldas, Machala, and Tenguel.

What the future of the Ecuadoran banana industry will be depends much on the extent to which certain problems are solved. Three of them are of immediate importance; the fourth is comparatively remote.

The first problem, that of disease, though not yet pressing, cannot afford to be ignored. In one small area, Santo Domingo, Sigatoka infection has reached such proportions that production for export is judged to have only a limited life ex-

pectancy. Panama disease has not yet been found to any appreciable extent throughout the country and so does not yet present a major threat; but agricultural experts are investigating control methods in the event that the disease does become epidemic. A constant campaign of watchfulness must be carried on to prevent the entry or spread of banana diseases; extensive control methods are so costly that the need for them might well take the average Ecuadoran planter out of competition for the world's markets.

The second problem involves cultural methods. Ecuador's banana industry "just grew," and the cultural methods in popular use are more or less haphazard. Most growers do not prune their plants and therefore find them less and less productive as years go by. Many set out their plants on land that is inadequately drained and discover too late that the banana plant cannot bear to have its roots in water for days at a time. Only rarely does a grower study his land before he makes a planting; only rarely does he set a record for efficient production. Most of the banana farmers operate only small plantations and either have not had an opportunity to learn of improved methods or do not have the money or the equipment to use them.

The third problem centers about inadequate transportation facilities—a problem that for years has restricted agricultural development in Ecuador. It becomes particularly acute for the banana farmer, who cannot store his crop and must always race against time to get his product to port while it is still green. For lack of roads in all weather he is usually forced to plant only on lands close to the rivers.

The Government of Ecuador is now engaged in a major road-building program, which, it is planned, will eventually connect most of the coastal area with either Guayaquil or Esmeraldas. At present about two-thirds of the road between Quevedo and Guayaquil is complete and is already being used for transporting bananas. The road connecting Cuenca with Guayaquil, which passes through one of the largest banana areas, has just been opened. Contracts have recently been let to complete a highway from Quevedo to Esmeraldas, which also will pass through a major banana area. Even so, it may be several years before enough roads are built to aid the banana industry in any substantial expansion.

With an adequate road system, many acres not now within reach of the ports would become available for banana plantings. In fact, much of this land is more suitable to bananas than some of the areas now being used for the crop.

The fourth problem, which concerns the labor supply, has not yet developed. At present the labor available in the banana areas is adequate and is well trained in the cultural methods in current use. But competition for this labor is already beginning: many workers are being attracted into construction work and similar programs. Since there are no surplus laborers in the banana areas, the labor problem could quickly become acute, particularly if the industry should suddenly expand. To meet a labor shortage efforts may be made to relocate some of the surplus that now exists in the Sierra region, or in the Oriente. Certainly measures initiated now to forestall possible labor problems can be of material assistance in keeping Ecuador in the business of exporting bananas.

The Ecuadoran Government is interested in solving these problems. The Dirección de Agricultura, with cooperation from the Servicio de Agricultura (an agricultural service organization cooperatively maintained by Ecuador and by the United States Foreign Operations Administration) have extensively surveyed the country's banana industry, with emphasis on cultural methods and evidence of disease. The facts turned up by this survey, together with data provided by the Banco Central del Ecuador, have been combined into a report that has been widely distributed to farmers and others interested in the banana industry. The Servicio's budget for 1954 will permit it to broaden its research and extension program for banana planters and to bring in a full-time banana specialist. Already pathologists of the Servicio have been spreading information on how to recognize diseases and how to control them.

Barring serious outbreaks of diseases, there is no reason why the banana industry of Ecuador should not continue at its present high level for many years, or even expand beyond it. But if it is to continue as a sound agricultural enterprise and to compete successfully on the world's markets, Ecuadoran farmers must soon adopt many improved practices, and much of the marginal land now in bananas will have to be replaced with more profitable areas.

The Indonesian Agricultural Extension Service

By R. SOEWARDJO

WITH AN INTRODUCTION BY F. W. PARVIN: The key to agricultural development in the young island republic of Indonesia lies in the hands of a group of earnest, hard-working young extension workers. Five thousand strong, these young men are working daily with the farmers of Indonesia on their farms and in their villages. They are encouraging them to adopt better farming methods, not only to help meet the country's food needs but to raise their own standard of living. Many of these workers are inexperienced; many are poorly trained. But they are gaining experience in the field and are being trained as rapidly as facilities will permit.

Considering the problems with which Indonesian extension workers are confronted, their accomplishments are outstanding. Consider, for example, the limitations that the following factors would place on the planning of a successful extension program in the American manner:

A farm population 90 percent illiterate in most areas.

Opposite extremes of population distribution—both dense and sparse—to be served by the same type of organization with workers of the same background and training.

A bicycle for transportation, but often with no means of transportation whatsoever.

An austerity budget that allows for little in the way of aids and materials.

Although the Extension Service of Indonesia was formally established in 1911, it has been an Indonesian institution only since the surrender of the Japanese in 1945. Prior to World War II, of course, Indonesia was a colony of the Netherlands, and the Extension Service was an instrument of the government of the Netherlands East Indies. Immediately after the Japanese withdrew from Indonesia, there was a bloody period of strife, from which emerged, in 1949, the Republic of Indonesia. With this emergence, the Extension Service came into sharp focus as one of the most important services in the government.

The Agricultural Extension Service of Indonesia has always been concerned with the increasing of food production. In that effort it emphasizes the farmer himself and enlists his cooperation. It does so through rural education programs, which are designed to teach both adults and young people the techniques and importance of fertilization, irrigation, seed selection, better crop cultivation, effective control of pests and diseases, and the use of improved farming tools. In the technical and economic development of agriculture, the Extension Service cooperates with other agencies, such as the General Agricultural Research Station, the Irrigation Service, Inland Fisheries, and Veterinary Services. It recognizes, however, that methods perfected through such cooperation will be useful only if they are presented to the farmer in such a way that he understands them and voluntarily cooperates in the task of putting them into practice.

In general the activities of the Extension Service are classed as educational and technical. Most of its technical activities are carried out on its farms, which are scattered about the country.

Seed Farms

At the present time Indonesia has more than 200 seed farms in operation and is planning to have more in the years ahead. On these farms is planted the selected seed that is sent them each year by the General Agricultural Research Station at Bogor. Rice, corn, peanut, and soybean seed is planted, depending on the needs of the region served.

For rice, for example, each farm has an irrigated area for growing the high-yielding varieties suited to the soil and climate of the surrounding area. Each farm is scheduled to provide seed for 25,000 acres. Thus when all presently planned seed farms are in operation, they will provide high-yielding seed for more than one-third of the rice acreage of Indonesia. Seed produced on each farm is distributed to a number of private seed growers in the farming region being served. The seed raised by these growers is distributed to farmers. This schedule enables farmers to plant new high-yielding seed every 3 years.

Dryland Farms

In areas where food is grown principally by dry farming, the Extension Service has 73 demonstration farms, on which methods designed to make

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the most of local conditions are tested. These farms will be used not only for demonstration purposes but for developing new ideas for Indonesian agriculture. The contribution that the farms make toward higher food output should be substantial, for, according to agricultural specialists, production per acre can be doubled on dry land if proper farming systems are put into practice.

Farming on dry land in Indonesia covers about 20 million acres, a considerably larger area than that for irrigated farming. Many dryland farms are not permanently occupied, however; they are farmed for a year or two, left for a decade to brush and second-growth trees, and then perhaps reoccupied.

The demonstration farms, which have a land area of 15 to 25 acres each, combine crop cultivation with livestock raising, including poultry. Cattle serve as draft animals and produce the manure that, with compost and other organic matter, has already increased soil fertility on the farms considerably. Livestock raising, in general, means an improvement in the diet in areas where there is a protein deficiency.

Under study on the demonstration farms are methods of soil conservation and crop rotation that are suitable to the various soils and climatic conditions.

Fertilizers

Large-scale experiments performed in Indonesia during the prewar years indicated that an increase in rice production can be obtained by using phosphate fertilizers on irrigated rice. Double superphosphate at the rate of 100 pounds per acre may be expected to increase output by 400 pounds of paddy per acre—a sizable contribution to the country's food supply, for rice is grown under irrigation on 1,500,000 acres in Indonesia.

The wide use of fertilizers in Indonesia presents several problems, however. One of them is the low purchasing power of the farmers, especially in areas where the soil has a phosphate deficiency. The Extension Service is attempting to overcome this problem by making easy credit available to the farmers, who, generally speaking, are reliable debtors.

Another problem is the matter of purchasing fertilizer from abroad. Still another is the expense and difficulty of transporting it within Indonesia.

Local Extension Service officials, in cooperation with farmers, handle the distribution of phosphate fertilizer. Because of the difficulties in buying it, only 1,000 tons of double superphosphate was distributed in 1950. In 1951, 5,100 tons was made available through Economic Cooperation Administration (ECA) aid; in 1952, 6,000 tons was financed by ECA and 11,000 tons by the Service itself. In addition to phosphate, ammonium sulfate and "Ammophos" have been imported for use on Indonesian farms; 10,000 tons of ammonium sulfate and 4,000 tons of "Ammophos" were purchased for 1952.

These fertilizers were sold for cash to farmers who grow sugarcane, potatoes, vegetables, fruits, and commercial crops. Such farmers usually have a larger purchasing power than do rice growers.

Green manure is used in several farming regions of Indonesia; on Java, for instance, it is being put to more widespread use each year. The green manure is sown between rows of another crop, usually corn, which is planted as a rotation crop before rice. About 2 weeks before the rice is planted, the green manure is cut. The production increase obtained through this practice is about 440 pounds of dry paddy per acre. *Crotalaria juncea, C. anagyroides, C. usaramuensis,* and *Sesbania aculeata* are widely used green manures.

Stable manure is used on both dry and irrigated land. Its use is gradually increasing, especially in the uplands, where the soil usually needs manure. Because it is in short supply, however, only a small fraction of the total planted uplands is fertilized in this way. A production increase ranging from 50 to 100 percent may be obtained from vegetables, potatoes, tobacco, and corn if stable manure is used at rates of 5 to 15 tons per acre.

Horticulture and Gardening

The term horticulture means beekeeping and the cultivation of fruit, vegetables, potatoes, and flowers. These activities are carried on primarily in horticultural gardens.

The Extension Service operates experimental gardens at Pasar Minggu and in the Provinces where research is conducted on fruit and vegetable varieties. In addition, the Service has demonstration gardens and nurseries in many regions where it produces seed and other plant materials for distribution to farmers. Large quantities of vegetable and flower seed and of seed potatoes are imported each year, to meet the need for planting material.

The canning and preservation of foodstuffs is also a concern of the Extension Service.

Commercial Crops

Rubber, copra, coffee, pepper, tea, sugarcane, tobacco, and fiber crops are important sources of income for many farmers, especially those who live outside of Java; and exports of these products provide valuable foreign exchange for the country.

By giving practical demonstrations on how to cultivate these crops and by distributing planting material and information on product improvement, the Extension Service promotes the rehabilitation and further development of the crops. It seeks always, however, to establish a sound balance between the cultivation of commercial crops and the cultivation of food crops.

Education Centers and Training Courses

Despite the wide variety of its other activities, the Agricultural Extension Service gives principal emphasis to education.

In 1950, it established its village education centers, called BPMD's (Balai Pendidikan Masjarakat Desa). Today there are about 185 throughout Indonesia, and others are being established as rapidly as funds permit. The goal is 1,200 centers.

Each BPMD has 2.5 to 5 acres of land and a building, in which are rooms for meetings; for seed and plant material, tools, and insecticides; and for exhibits and a small library.

The land is used to demonstrate farming methods desirable in the locality.

The BPMD is nonpolitical. The extension agent lives in the BPMD area, and all kinds of activities that affect the development of the rural community—farmers' courses, meetings, literacy programs, public health instruction, educational films—are conducted at the center, either by the Agricultural Extension Service or by other agencies serving rural people.

In short, the BPMD is a place where farmers and Government representatives can meet on an informal basis, get to know each other, and plan cooperative activities. Every BPMD is directed by an experienced person who knows and understands the problems of the people in the area.

An important part of the Extension Service's education program is its training courses, which run from 6 months to 2 years. The courses fall into two general categories—those for farmers and their families and those for extension workers.

The courses for farmers and their families are designed for three groups—for older, mature farmers, for younger farmers, and for farm women. In addition to regular and formal courses, there are informal afternoon discussion groups presided over by the local extension leader.

One course for farmers is of special value in that it trains local volunteer farmer-leaders for service in their communities. These farmers assist the extension workers in maintaining a sound relationship with the farmers in the community and, by adopting on their own land the useful practices they have learned at the training courses, demonstrate better methods to their fellow farmers.

The courses for extension workers are designed for leaders who will become officers in charge of the BPMD's, for refresher training for older workers, and for initial training for prospective workers.

During 1952, a total of 48,180 farmers and their families and extension workers attended the 1,931 training courses that were conducted that year.

All these activities of the Extension Service are interrelated. All are part of a common goal—helping Indonesian farmers make their contribution to the growth of their republic.

Opening day at the Village Educational Center near Semarang, capital of Central Java. At such centers Indonesia's Extension Service teaches farm families not only how to farm more efficiently but how to live better.

Barriers Against U.S. Farm Products in Foreign Markets

by WILLIAM W. YOUNG

Back in 1820 a young German economist by the name of Friedrich List proposed that the United States adopt a tariff that would help young industries get ahead. This tariff, said Mr. List, would protect New World industries, while they were growing up, from the competition of foreign industries. When these infant industries became adult, the tariff would be dropped. Of course, these were not to be very high tariffs, just high enough to give the American producer the jump on his foreign competitors for a few years.

Now, one of the interesting things about this theory is that it came from a man who was considered to be a radical economist. In fact, he had been expelled from Parliament in his native Germany for his unorthodox views. Another interesting thing is that the theory was carried by its author back to Europe, where it became the forerunner of a new philosophy of international trade relations, a philosophy that now is causing us a great deal of concern, for today protectionism is costing the United States many of its markets for its products—especially its agricultural commodities.

What do we mean when we speak of "protection?" The idea is easy to grasp. It means the use of the government's power to insulate an industry against competition from the industries of other countries.

Now, there are conditions under which this word "protection" can have an entirely constructive meaning. For instance, a country can protect its standard of living or the wages of its workers or the income of its farmers from the competition of sweatshop economics. But there are times when, under the guise of protection, a country keeps its people from enjoying lower prices and higher quality goods by artificially supporting prices and protecting uneconomic production of goods.

How can governments so insulate their manufacturers and their farmers? Well, Friedrich List gave one answer, a protective tariff—a single general tax on any goods coming into our country to compete with the products of our own newly established factories. This simple clear-cut device was good for grandfather's day; but, as governments have grown and trade has become more complex, many governments have come to look upon the protective tariff as an inefficient way of controlling the inflow of goods. As a result, they have developed other insulating devices, more complex and less straightforward, to take the place of old-fashioned tariff measures.

There are two main reasons why this enthusiasm has grown up for new and more involved trade controls. In the first place we have been through two major wars in the past 40 years; in the second place, a series of depressions have been mixed in with these wars.

Wars do three things to trade. First, they mix up the normal—that is to say, the prewar—pattern of trade. Second, they cut down the shipments of manufactured consumers' goods, for factories in industrial countries are too busy making munitions to worry about refrigerators and sewing machines. And third, they force the attention of countries inward; to meet their consumer needs they must assess the shortcomings of their own economic plant, and in the process they invariably begin industrial development.

When a country starts an industrial development program, it usually brings some infant industries into being. These infant industries need to be protected, and the country begins to make rules that keep out competition. So a new series of trade restrictions begins.

Depressions breed trade restrictions, too, but in a different way. Countries in economic distress see their supplies of gold and foreign currency trickle

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away, their factories close down, and their prices fall. They decide that something must be done to protect their home markets, their currencies, and their producers from these conditions, and they start the insulation process again.

After our last depression, in 1931, countries began limiting the amount of goods that could come in from abroad. They did this by setting up a quota for imports of a particular commodity, and licensing the imports of that commodity up to the limit set by the quota.

In this process of restricting imports, the easily understood protective tariff was all but forgotten. Other devices were taking over—quotas, controls on the movement of money, licensing systems, and special arrangements between two countries willing to trade goods rather than deal in each other's currencies. By the beginning of World War II Mr. List's "radical" way of controlling trade had taken a back seat; protective tariffs were of minor importance in the thinking of international trade planners.

World War II and the reconstruction period helped to keep international trade in a strait-jacket. The West European countries argued that they needed controls if they were to get back on a secure economic footing. Latin America and Asia claimed that they had to "develop their economies," a phrase that in this day and age means processing your raw materials at home.

So far our opposition to this trend has been spasmodic, poorly coordinated, and generally lacking in aggressiveness. We have, of course, joined GATT (the General Agreement on Tariffs and Trade). Our government has been lending dollars and in some instances making outright grants to our customers on the theory that these dollars would come back to our exporters and businessmen and, through them, to our farm and industrial workers. These loans and grants kept our trade books in balance during the years just after the war.

Things have been changing during the last 2 years. Our aid program has been on its way down. We haven't bought as much abroad as foreign countries have bought from us. Dollars have been selling on foreign markets at a premium. As the trade shoe has started to pinch, dollar rationing, import restrictions, and bilateral deals have begun to mean a lot more to American traders, businessmen, farmers, and factory hands.

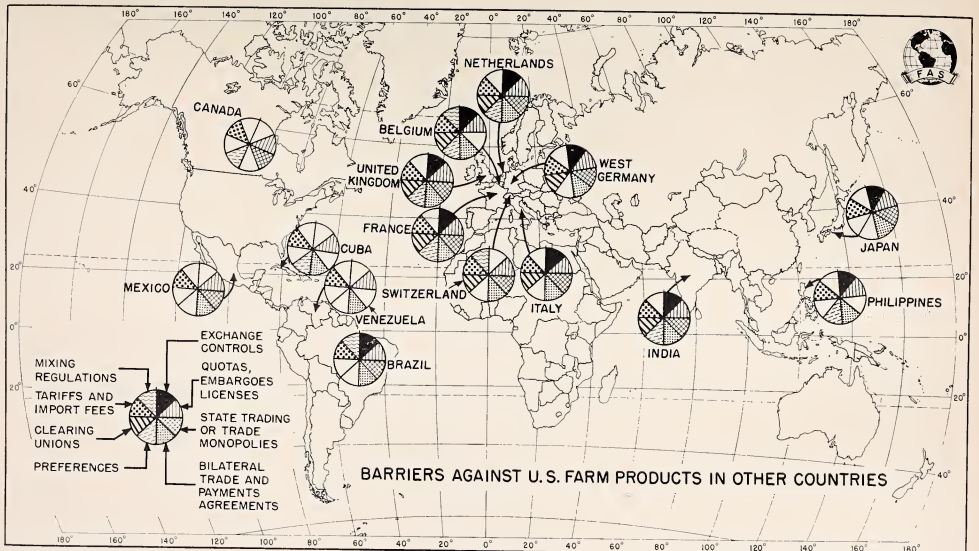
Just exactly what are we up against in the controlled trade world of today? There are three ways in which countries control the flow of goods: First, by directly limiting shipments of a given commodity; second, by limiting the amount of money that can be paid out for imports; third, by setting up special trading arrangements.

The methods that countries use to make these controls effective vary to some extent, but the most important practices can be summarized.

Imports can be limited directly by (1) prohibiting imports without a license, a device which amounts to an embargo when no licenses are issued but which, under a quota, permits a limited amount of goods to enter; (2) setting up a government monopoly that buys all that a country needs of a particular commodity; (3) putting a special import surtax on certain kinds of goods; (4) setting up special regulations on labelling that can be used to keep out specific products, or limit their importation; (5) imposing mixing regulations, which require that products sold on the home market contain a designated proportion of domestic raw material.

The amount of money paid out can be controlled by (1) exchange regulations, under which the government controls the purchase and sale of all foreign currency so that the importer must go to the government for the money he needs to buy a commodity from a certain country (thus the government, by withholding exchange, can decide where the importer does his buying); (2) a system of differential exchange rates—a policy that may support exchange regulations—under which the government sets up a scale of rates of exchange between its money and a particular foreign currency so that the importer has to pay extra to get money to buy a particular product (in effect, such rates are a combination of subsidies and exchange taxes); and (3) currency devaluation, a control that isn't aimed at any particular country or product but is a way for a country to set up a cut-rate market for its products.

The special trading agreements that serve to control imports are of various types: (1) In the bilateral clearing agreement, two countries agree to exchange certain products up to a certain amount of value (no currency needs to be exchanged under this plan since exporters are paid out of a special fund set up in each country); (2) through colonial preference, special tariff rates or free entry are



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NEG. 299 FOREIGN AGRICULTURAL SERVICE

provided for goods that move from a colony into the metropolitan power; (3) by preferential tariff rates the goods of one country are permitted to enter another under substantially less than the usual tariff fee.

Each of these methods provides a pretty efficient brake on trade all by itself, but few countries are content to use only one or two of them. Most of our important trading partners use these devices in combination. The effect on international trade is not hard to imagine. The United States, a hard-currency nation, is trying to sell to soft-currency countries goods that command relatively high prices, and is butting squarely up against these trade barriers in many parts of the world.

As yet we haven't had much trouble selling our industrial products abroad, especially in the countries of Latin America and Asia that are developing or rebuilding industries. But agricultural commodities are another story. Most of our one-time trading partners are busily stepping up production of foods and fibers and cutting down on imports of luxuries and "non essentials" including some agricultural products. The countries that do need agricultural imports, try to deal mainly with soft-currency countries or within trading blocs (sterling area) or with countries that offer special barter or credit deals.

These practices have left American agriculture short of markets for some of its main exports. In many cases it has placed us in the position of residual suppliers; that is, we get that part of the market that is left over after the importing countries have satisfied as much of their demand as they can by purchases from other countries.

We produce more agricultural products than we consume; produce much more than we used to—during the war we had to, for we were feeding ourselves and much of the Free World besides. Food really did win the war; but now that the war is over we can't go to the farmer and ask him to cut his production back to what it was in 1939 and cut it right now, not without risking a great deal of damage to our whole economy. This would threaten the stability of our friends and neighbors.

What, then, should we do as a nation to rebuild our agricultural export markets? How can we break up the log jam in international trade? For one thing, we can work aggressively and in a coordinated fashion to recapture our old markets and gain new customers by selling more efficiently and on better terms.

In addition to the involved multilateral approach of supply and purchase guarantees and maximum-minimum price levels, as in the International Wheat Agreement, there are four ways that have been suggested as a means of helping the United States trader in today's competitive market.

The first approach is by developing barter deals with other countries that would permit us to trade commodity for commodity. This kind of operation can be worked out under present Commodity Credit Corporation regulations. It could be used in developing larger outlets for our surplus farm commodities.

A second approach would be to cut prices for exports so as to be competitive with other exporting countries. Under such a plan we would maintain support prices in our domestic market but cut prices of the goods we export. This has been done in the case of dairy products. But it is United States policy not to cut prices to levels that will induce further retaliatory cuts by foreign governments.

A third approach would be to encourage private United States traders to negotiate special trading arrangements. Under such arrangements the dollars that the American importer pays out would be reserved in a special fund to be used by the foreign trader to buy American farm products.

The fourth approach we could take would be to accept the currency of foreign countries in payment for our agricultural exports. Several bills have been proposed that would permit this to be done. They would permit the private United States exporter to sell to foreign countries and take in exchange the currency of that country. Then he would pass this currency on to the United States Government, which would pay him its value in dollars. The foreign currency held by our government as a result of this transaction could then be spent to maintain our diplomatic and military missions, for economic development projects, and so forth.

All of these plans are ways in which we can help our producers compete in world markets on more favorable terms. They are ways in which the United States can partly solve its own pressing trade problem. We can beat the convertibility problem by the government's underwriting exchange transactions; we can beat barter deals by setting up some of our own; we can beat low world prices by cutting the prices of some of our own farm goods. But these direct methods are essentially a negative approach. Working alone with such approaches, we can't hope

to make order out of the maze of trade restrictions.

The United States needs now to organize an all-out attack on the complex and devious restrictions that are hindering our trade and the trade of the Free World. This attack can be carried out only through international cooperation, through organizations like GATT (working to eliminate unfair barriers to trade) and the International Monetary Fund (working toward full convertibility of currencies) that will eliminate the trade controls that have been replacing the tariff.

The United States can provide the leadership necessary to remove arbitrary and indirect trade restrictions. This is a good time to start a reform, for the gold and dollar holdings of our principal trading partners are rising. What's more, the meeting of GATT set for this fall will provide us with a real opportunity to present our case. We need to take advantage of this opportunity to lead world trade toward a new era of simplicity in international trade relationships.

EDITOR'S NOTE: The reader may be interested in referring to an earlier article "Trade Barriers and Trade Agreements," by Robert B. Schwenger, *Foreign Agriculture*, September 1953.

New Releases On World Agriculture

An additional $25 billion worth of meat, milk, fruits, vegetables (at current prices) is needed to supply mankind with sufficient, adequate food is the estimate of Economists Waldimir and Emma Woytinsky, a husband and wife team who have spent 5 years compiling a 1,268-page study, *World Population and Production*, recently published by the Twentieth Century Fund.

"This goal cannot be reached by redistributing the available agricultural surpluses by even a generous program of international aid but calls, rather, for an increase in the world's agricultural production, mainly in the economically underdeveloped areas. This problem of nutritional standards becomes a problem of stimulating economic development . . . For the need is greatest among masses of people in areas where poverty makes improvement in living standards especially difficult."

World Needs and Resources and Agriculture make up only two parts of this exhaustive study; the others are Man and His Environment, Energy and Mining, and Manufactures.

Volume II, still to be published, will deal with trade and investments, transportation, political organizations, colonialism, finance, and international cooperation.

Index to *Foreign Agriculture*, volume 17 (1954) has just come off the press and may be obtained upon request to Foreign Agricultural Service, United States Department of Agriculture, Washington 25, D. C.

Animal Nutrition Research in India, by K. C. Sen, Director, Indian Dairy Research Institute, Bangalore, published May 1954 by Macmillan and Co., Limited, Calcutta, 370 pp., illus.: $5.00.

In the past quarter century a good deal of research has been carried out in India on the problems of animal nutrition; that research has been available to Indian scientists through their own journals but little of it has gotten into the hands of their colleagues abroad. Dr. Sen has gone through these journals and other literature on animal nutrition written by Indian scientists and, in this book, has brought much of it together.

He does not present separate papers but weaves together findings on a dozen subjects: chemical composition of Indian feeds; their digestibility and nutritive value; conserving and processing fodders and the use of certain plants and tree leaves as scarcity fodders; the feed value of some industrial byproducts; poisonous plants and toxic minerals; metabolism of animals; their blood composition; vitamins and deficiency diseases; dairy science.

By way of background for the reader, Dr. Sen devotes the first chapter to a general discussion of India and its agriculture, for "a knowledge of the physical and climatic features of a country is necessary for the proper understanding of some of the dominant factors which influence the growth of agriculture and animal husbandry in that area."

The last chapter, Investigations in Dairy Science, will be of wider interest than the other chapters in that it treats not only nutrition of dairy cows and its effect on production but gives a fairly complete account of all the investigations carried out on other aspects of dairy research.

The book is well illustrated and contains an author index.